

CITY OF CENTERVILLE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

Peak & Gerdes, LLP  
Certified Public Accountants  
1051 Office Park Road  
West Des Moines, IA 50265

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 15-16
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C 18
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E 20
Notes to Financial Statements	21-29
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds - Primary Government	31
Notes to Required Supplementary Information - Budgetary Reporting	32
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 34-35
Schedule of Indebtedness	2 36
Bond and Note Maturities	3 37
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	39-40
Schedule of Findings	41-46

City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John C. Williams	Mayor	January, 2006
Glenn Moritz	Council Member	January, 2006
Bill Milani	Council Member	January, 2006
Mike Shanahan	Council Member	January, 2008
Robert Greene	Council Member	January, 2008
Louise Kennis	Council Member	January, 2008
Cynthia L. Cortesio *	Clerk/Administrator Treasurer	Indefinite
Kristen M. May **	City Clerk/Treasurer	Indefinite
Debra George	Attorney	Indefinite

\* - Resigned in January 2005

\*\* - Appointed in March 2005

City of Centerville

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IA 50265

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Centerville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2005, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Centerville as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2005 on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP  
Certified Public Accountants

November 4, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Centerville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities decreased 19.6%, or \$947,637, from fiscal 2004 to fiscal 2005. The majority of this decrease resulted from a \$1,194,393 decrease in bond proceeds, as no new debt was incurred in 2005 compared to debt incurred in 2004 which was used to finance a fire truck and for library renovation. Charges for services, operating grants, capital grants, and property tax receipts increased \$11,858, \$46,378, \$39,515, and \$237,625, respectively. In addition, hotel-motel tax receipts were new in fiscal 2005, with \$31,627 collected in the fiscal year. Miscellaneous grants and local option sales tax receipts decreased \$16,022 and \$73,691, respectively. Transfers also decreased by \$31,456 in fiscal 2005.
- ❖ Disbursements increased 15.8%, or \$678,702, in fiscal 2005 from fiscal 2004. Public safety, general government, public works and non-program disbursements decreased \$408,050, \$35,927, \$4,249 and \$49,923, respectively. Community and economic development, debt service, culture and recreation and capital projects disbursements increased \$221,531, \$167,276, \$57,850, and \$671,436, respectively.
- ❖ The City's total cash basis net assets decreased 10.9%, or \$353,070, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased \$547,794, the assets of the enterprise funds increased by \$74,725, and assets of the internal service fund increased by \$119,999. The primary reason for the decrease in governmental activities was the City bonded in fiscal 2004 for library renovation, and subsequently paid out \$583,962 in 2005 for actual work performed.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system and the airport. These activities are financed primarily by user charges.



## *Fund Financial Statements*

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise Fund to provide separate information for the sewer funds, considered to be a major fund of the City. The airport maintains a separate account that supports this business activity. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,544,094 to \$2,116,930. The analysis that follows focuses on the changes in cash balances for governmental activities.

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Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

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	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2005</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 402	\$ 414
Operating grants, contributions and restricted interest	796	842
Capital grants, contributions and restricted interest	41	80
General receipts:		
Property tax	1,878	2,115
Local option sales tax	444	370
Hotel-Motel Tax	-	32
Grants and contributions not restricted to specific purposes	16	-
Unrestricted investment earnings	6	8
Bond proceeds	1,195	1
Other general receipts	43	43
Transfers, net	<u>3</u>	<u>(28)</u>
Total receipts and transfers	<u>4,824</u>	<u>3,877</u>
Disbursements:		
Public safety	1,702	1,294
Public works	587	583
Culture and recreation	305	363
Community and economic development	38	259
General government	251	215
Debt service	653	820
Capital projects	98	770
Non-program	<u>50</u>	<u>-</u>
Total disbursements	<u>3,684</u>	<u>4,304</u>
Increase (Decrease) in cash basis net assets	1,140	(427)
Cash basis net assets beginning of year	<u>1,404</u>	<u>2,544</u>
Cash basis net assets end of year	<u>\$2,544</u>	<u>\$2,117</u>

The City's total receipts for governmental activities decreased by 19.6%, or \$947,637. The total cost of all programs and services increased by 16.8% or \$619,944, with no new programs added this year. The significant increase in disbursements was primarily the result of an increase in capital projects. Capital projects consisted of library renovation for \$583,962 and local option sales tax activity for the pool and payment to the school for a total of \$185,542.

The City increased property tax rates for 2005 by an average of 12.7%. This increase affected the City's property tax receipts, increasing by \$237,625 in 2005. This amount includes increases in general property taxes of \$134,051 and increases in tax increment financing receipts of \$116,682.

The cost of all governmental activities this year was \$4,303,902. However, as shown in the Statement of Activities and Net Assets on pages 15-16, the amount taxpayers ultimately

financed for these activities was only \$2,967,573 because some of the cost was paid by those who directly benefited from the programs (charge for service \$414,095) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$922,234). The City paid for the remaining "public benefit" portion of governmental activities with \$2,967,573 in tax, some of which could only be used for certain programs and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2004	Year Ended June 30, 2005
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$627	\$658
Airport	-	47
General receipts:		
Unrestricted interest on investments	3	6
Other general receipts	8	6
Total receipts	<u>638</u>	<u>717</u>
Disbursements and transfers:		
Sewer	612	591
Airport	-	80
Transfers	3	(28)
Total disbursements and transfers	<u>615</u>	<u>643</u>
Increase in cash balance	23	74
Cash basis net assets beginning of year	<u>676</u>	<u>699</u>
Cash basis net assets end of year	<u>\$699</u>	<u>\$773</u>

Total business type activities receipts for the fiscal year were \$717,115. The cash balance increased by \$74,094 from the prior year. Total disbursements and transfers for the fiscal year were \$643,021.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Centerville completed the year, its governmental funds reported a combined fund balance of \$2,073,981, a decrease of \$547,794 from last year's total of \$2,621,775. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance decreased \$47,830 from the prior year to (\$84,335). This decrease was due to increased spending this fiscal year without a corresponding increase in receipts.

- ❖ The Road Use Tax Fund cash balance decreased by \$109,392 to \$231,491 as of June 30, 2005. The City purchased additional equipment to service the City roads.
- ❖ The Local Option Sales Tax Fund cash balance as of June 30, 2005 was \$431,364. The balance in this account will be used for various projects such as the payment of debt related to the purchase of a new fire truck, library renovation, school project, and swimming pool. The City currently has 2 bonds, one for the fire truck and one for the library, which are paid out of this fund.
- ❖ The Library Construction Fund cash balance decreased by \$504,082 to \$260,500 as of June 30, 2005. This decrease was due to projects being completed from bonded monies. This money is being used for the renovation of the City Library.
- ❖ The Debt Service Fund cash balance decreased by \$1,924 to \$103,025 as of June 30, 2005. This decrease was due to a decrease in property tax collections.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- ❖ The Sewer Fund cash balance increased by \$72,812 to \$779,903, due primarily to an increase in sewer rates during the fiscal year.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The budget amendments were approved on November 5, 2004 and June 20, 2005 to provide for additional disbursements in certain City departments. The June 20, 2005 amendment was initially approved in May 2005; however, the amounts on the budget amendment erroneously neglected to include the results of the November 5, 2004 amendment on the beginning balances. Thus the amendment was recreated with the correct beginning balances and was approved on June 20, 2005. Budget amended included: Police \$33,000 for Overtime, Grants and Salaries; Animal Control \$2,995 for Micco Grant; Street Lights \$14,700 for Electric on Street lights; Library \$50,636 for additional expense to include payroll, bookkeeping, and organizing expense to be paid out of savings; Pool \$43,000 not included in original budget; Recreation \$6,000 over budget; Cemetery \$18,509 for FEMA grant; and Economic Development – McGraw \$200,000 expense to building.

## DEBT ADMINISTRATION

At June 30, 2004 and 2005, the City had \$5,557,693 and \$4,785,718, respectfully, in bonds and other long-term debt, as shown below.

	Outstanding Debt Year-End (Expressed in Thousands)	
	June 30, 2004	June 30, 2005
General obligation bonds	\$4,780	\$4,200
Revenue bonds	660	515
Notes payable	95	53
Lease-purchase agreements	<u>23</u>	<u>18</u>
Total	<u>\$5,558</u>	<u>\$4,786</u>

Debt decreased primarily as a result of making \$735,000 of scheduled bond payments. Additionally, the City refinanced \$900,000 of bonds with rates ranging from 4.5% to 4.8% with \$910,000 of bonds with rates ranging from 3.0% to 3.375%.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,200,000 is significantly below its constitutional debt limit of \$8,871,964.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2006. Receipts are budgeted to decrease by \$599,176. Disbursements are budgeted to decrease by \$278,355. The majority of this decrease in receipts is due to bonding and tax increment financing tax and the majority of the decrease in disbursements is in the capital projects and debt service area. The City has added no major new programs or initiatives to the 2006 budget. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$241,567 by the close of 2006.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kris May, City Clerk, 312 East Maple, Centerville, Iowa 52544.

## Basic Financial Statements

City of Centerville

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental activities:				
Public safety	\$ 1,294,034	233,146	114,130	-
Public works	582,726	45,690	493,413	10,012
Culture and recreation	363,190	70,022	68,366	-
Community and economic development	259,328	-	165,872	-
General government	214,897	65,237	-	-
Debt service	820,223	-	-	-
Capital projects	769,504	-	-	70,441
Total governmental activities	4,303,902	414,095	841,781	80,453
Business type activities:				
Sewer	591,212	657,680	-	-
Airport	79,915	46,964	-	-
Total business type activities	671,127	704,644	-	-
Total	\$ 4,975,029	1,118,739	841,781	80,453

**General Receipts:**

Property tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Hotel - motel tax  
 Unrestricted interest on investments  
 Bond proceeds  
 Miscellaneous  
 Sale of assets  
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Streets  
 Local option sales tax  
 Debt service  
 Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(946,758)	-	(946,758)
(33,611)	-	(33,611)
(224,802)	-	(224,802)
(93,456)	-	(93,456)
(149,660)	-	(149,660)
(820,223)	-	(820,223)
(699,063)	-	(699,063)
(2,967,573)	-	(2,967,573)
-	66,468	66,468
-	(32,951)	(32,951)
-	33,517	33,517
(2,967,573)	33,517	(2,934,056)
1,361,550	-	1,361,550
391,046	-	391,046
363,169	-	363,169
369,796	-	369,796
31,627	-	31,627
7,775	6,448	14,223
707	-	707
18,495	6,023	24,518
24,350	-	24,350
(28,106)	28,106	-
2,540,409	40,577	2,580,986
(427,164)	74,094	(353,070)
2,544,094	699,502	3,243,596
\$ 2,116,930	773,596	2,890,526
231,491	-	231,491
431,364	-	431,364
103,025	116,244	219,269
1,392,436	-	1,392,436
(41,386)	657,352	615,966
\$ 2,116,930	773,596	2,890,526



## City of Centerville

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue			Capital Projects		Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax	Library Construction	Debt Service		
<b>Receipts:</b>							
Property tax	\$ 990,541	-	-	-	363,169	371,009	1,724,719
Tax increment financing collections	-	-	-	-	-	391,046	391,046
Other city tax	31,627	-	369,796	-	-	-	401,423
Licenses and permits	71,047	-	-	-	-	-	71,047
Use of money and property	6,882	-	884	18,081	-	15,060	40,907
Intergovernmental	397,328	492,556	-	-	-	-	889,884
Charges for service	130,839	-	-	-	-	-	130,839
Special assessments	224	-	-	-	-	35,639	35,863
Miscellaneous	76,767	857	-	52,360	-	64,075	194,059
Total receipts	1,705,255	493,413	370,680	70,441	363,169	876,829	3,879,787
<b>Disbursements:</b>							
Operating:							
Public safety	1,002,562	-	2,544	-	-	289,558	1,294,664
Public works	17,329	563,104	-	-	-	2,293	582,726
Culture and recreation	249,075	-	404	-	-	113,711	363,190
Community and economic development	197,642	-	-	-	-	61,886	259,328
General government	172,754	-	-	-	-	42,143	214,897
Debt service	46,554	-	-	-	773,669	-	820,223
Capital projects	-	-	185,542	583,962	-	-	769,504
Total disbursements	1,685,916	563,104	188,490	583,962	773,669	509,391	4,304,532
Excess (deficiency) of receipts over (under) disbursements	19,339	(69,691)	182,190	(513,521)	(410,500)	367,438	(424,745)
<b>Other financing sources (uses):</b>							
Bond proceeds	-	-	-	-	707	-	707
Sale of capital assets	24,350	-	-	-	-	-	24,350
Operating transfers in	16,639	-	-	9,439	407,869	67,096	501,043
Operating transfers out	(108,158)	(39,701)	(198,705)	-	-	(302,585)	(649,149)
Total other financing sources (uses)	(67,169)	(39,701)	(198,705)	9,439	408,576	(235,489)	(123,049)
Net change in cash balances	(47,830)	(109,392)	(16,515)	(504,082)	(1,924)	131,949	(547,794)
Cash balances beginning of year	(36,505)	340,883	447,879	764,582	104,949	999,987	2,621,775
Cash balances end of year	\$ (84,335)	231,491	431,364	260,500	103,025	1,131,936	2,073,981
<b>Cash Basis Fund Balances</b>							
Reserved:							
Debt service	\$ -	-	-	-	103,025	-	103,025
Unreserved:							
General fund	(84,335)	-	-	-	-	-	(84,335)
Special revenue funds	-	231,491	431,364	-	-	744,204	1,407,059
Capital projects fund	-	-	-	260,500	-	244,384	504,884
Permanent fund	-	-	-	-	-	143,348	143,348
Total cash basis fund balances	\$ (84,335)	231,491	431,364	260,500	103,025	1,131,936	2,073,981

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds  
As of and for the year ended June 30, 2005

**Total governmental funds cash balances (page 17)** **\$ 2,073,981**

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individuals. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

42,949

**Cash basis net assets of governmental activities (page 16)** **\$ 2,116,930**

**Net change in cash balances (page 17)** **\$ (547,794)**

***Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

120,630

**Change in cash balance of governmental activities (page 16)** **\$ (427,164)**

See notes to financial statements.

## City of Centerville

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprises Funds			Internal Service Fund
	Other Nonmajor Proprietary Fund			Employee Health
	Sewer	- Airport	Total	
Operating receipts:				
Charges for service	\$ 657,680	27,531	685,211	463,312
Use of money and property	-	19,433	19,433	-
Miscellaneous	-	-	-	56,592
Total operating receipts	657,680	46,964	704,644	519,904
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	177,522
Public works	-	-	-	42,551
Culture and recreation	-	-	-	11,553
General government	-	-	-	238,168
Business type activities	417,159	79,915	497,074	50,111
Total operating disbursements	417,159	79,915	497,074	519,905
Excess (deficiency) of receipts over (under) operating disbursements	240,521	(32,951)	207,570	(1)
Non-operating receipts (disbursements):				
Interest on investments	6,448	-	6,448	-
Miscellaneous	2,782	3,241	6,023	-
Debt service	(173,422)	-	(173,422)	-
Total non-operating receipts (disbursements)	(164,192)	3,241	(160,951)	-
Excess (deficiency) of receipts over (under) disbursements	76,329	(29,710)	46,619	(1)
Other financing sources (uses):				
Operating transfers in	-	31,623	31,623	120,000
Operating transfers out	(3,517)	-	(3,517)	-
Total other financing sources (uses)	(3,517)	31,623	28,106	120,000
Net change in cash balances	72,812	1,913	74,725	119,999
Cash balances beginning of year	707,091	-	707,091	(85,270)
Cash balances end of year	\$ 779,903	1,913	781,816	34,729
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 116,244	-	116,244	-
Unreserved	663,659	1,913	665,572	34,729
Total cash basis fund balances	\$ 779,903	1,913	781,816	34,729

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds  
As of and for the year ended June 30, 2005

**Total enterprise funds cash balances (page 19)** **\$ 781,816**

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(8,220)

**Cash basis net assets of business type activities (page 16)**

\$ 773,596

**Net change in cash balances (page 19)**

**\$ 74,725**

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

(631)

**Change in cash balance of business type activities (page 16)**

\$ 74,094

See notes to financial statements.

City of Centerville

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

**A. Reporting Entity**

Except as discussed below, for financial reporting purposes, the City of Centerville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Centerville (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

**Excluded Component Unit**

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, and Appanoose County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and the projects financed with these receipts.

The Capital Projects Library Construction Fund is used to account for the renovation of the City's library.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

#### C. Measurement Focus and Basis of Accounting

The City of Centerville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting

does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, debt service, and business-type activity functions.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### (3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 535,000	151,999	150,000	17,662	685,000	169,661
2007	535,000	131,730	155,000	13,219	690,000	144,949
2008	425,000	116,068	160,000	8,204	585,000	124,272
2009	430,000	101,908	50,000	2,720	480,000	104,628
2010	430,000	87,258	-	-	430,000	87,258
2011	440,000	72,081	-	-	440,000	72,081
2012	290,000	56,016	-	-	290,000	56,016
2013	300,000	44,920	-	-	300,000	44,920
2014	305,000	33,033	-	-	305,000	33,033
2015	185,000	22,915	-	-	185,000	22,915
2016	195,000	14,680	-	-	195,000	14,680
2017	65,000	5,784	-	-	65,000	5,784
2018	65,000	2,925	-	-	65,000	2,925
	<u>\$ 4,200,000</u>	<u>841,317</u>	<u>515,000</u>	<u>41,805</u>	<u>4,715,000</u>	<u>883,122</u>

#### Revenue Notes:

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the Sewer Utility Fund and the note holders hold a lien on the future earnings of the sewer utility fund.
- (b) Sufficient monthly cash transfers shall be made to the Sewer Utility Operation and Maintenance Fund to meet the current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- (c) Sufficient monthly cash transfers shall be made to the Sewer Revenue Note and Interest Sinking Fund for the purpose of making the note principal and interest payments when due. The balance in this restricted account is required to be \$13,972 at June 30, 2005.

This account can only be used for the retirement of note principal and interest.

- (d) A Debt Service Reserve Fund shall be maintained for the purpose of paying principal and interest on the notes when insufficient funds are available in the Sinking Fund. The balance in this restricted account is required to be \$101,500 at June 30, 2005.

#### Notes Payable – US Bank

The City is indebted to US Bank in the amount of \$53,064. The note is due in five annual installments of \$11,956 including interest at 4.05 percent per annum. The final payment, consisting of the unpaid principal and interest, is due on April 15, 2010.

Future principal requirements of the notes payable is as follows:

Year Ending June 30,	Amount
2006	\$ 9,767
2007	10,170
2008	10,590
2009	11,027
2010	11,510
	<u>\$ 53,064</u>

#### (4) Interfund Loan

During the fiscal year, the Capital Projects – Tax Increment Financing Fund loaned \$120,000 to the Internal Service Fund. This loan began in December 2004, and is for one year at an interest rate of 3.5%.

#### (5) Lease Purchase Obligation

The City is purchasing office equipment under capital lease contracts. Future payments in relation to these leases are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2006	\$ 5,302	1,163	6,465
2007	5,633	705	6,338
2008	4,621	322	4,943
2009	2,098	46	2,144
Total	<u>\$ 17,654</u>	<u>2,236</u>	<u>19,890</u>



**(6) Operating Lease Agreements**

The City is leasing computer equipment for 60 months at \$562 per quarter. In addition, the City Library is leasing computer equipment and a copy machine for \$225 per month. Future required payments are:

Year Ended June 30,	Amount
2006	\$ 4,444
2007	1,762
2008	2,141
2009	1,620
2010	1,215
	<u>\$ 11,182</u>

Total rent expense during the fiscal year on these agreements was \$4,614.

**(7) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003.

Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$46,631, \$46,828, and \$51,340 respectively, equal to the required contributions for each year.

**Municipal Fire and Police Retirement System of Iowa**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 25% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2005, 2004 and 2003 were \$137,971, \$115,363, and \$96,009 respectively, which met the required minimum contribution for each year.

**(8) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal time	\$ 526
Compensatory time	30,047
Vacation	<u>95,191</u>
Total	<u>\$125,764</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	<u>\$ 16,639</u>
Debt Service:	Special Revenue:	
	Special Assessment	20,766
	Local Option Sales Tax	198,705
	Road Use Tax	39,701
	Urban Renewal Tax Increment	145,180
	Enterprise:	
	Sewer	<u>3,517</u>
		<u>407,869</u>
Capital Projects:		
Library Construction	General	<u>9,439</u>
Special Revenue:		
Urban Renewal Tax Increment	General	<u>5,979</u>
Special Revenue:		
Policeman's and Fireman's Retirement	General	<u>59,359</u>
Special Revenue:		
Friends of Oakland Cemetery	General	<u>1,758</u>
Enterprise:		
Airport	General	<u>31,623</u>
Internal Service:	Capital Projects:	
Employee Health	Tax Increment Financing	<u>120,000</u>
		<u>\$ 652,666</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(10) Budgeted Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Culture and Recreation, Debt Service, and Business Type activities functions exceeded the amounts budgeted.

**(11) Related Party Transactions**

The City had business transactions totaling \$12,400 between the City and City officials during the year ended June 30, 2005.

**(12) Industrial Development Revenue Bonds**

The City has issued a total of \$7,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

**(13) Self-Insured Medical Plan**

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and city contributions.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000. The City records the plan receipts and disbursements of the City of Centerville Health Insurance Fund as an Internal Service Fund.

**(14) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital.

Annual operating contributions are those amount necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$96,460.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contracts with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and airport owners liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(15) Deficit Fund Balance**

The General Fund had a deficit of \$84,335 at June 30, 2005. This deficit should be eliminated through the subsequent collection of property taxes and a reduction in disbursements.

**(16) Community Economic Betterment Account (CEBA) Grants**

Local businesses were awarded CEBA grants of \$860,000 with the money for these grants passed through the City. Under the grant agreements, the businesses must meet certain employment goals within a specified period to have \$370,000 of the loans forgiven. The balance, or \$490,000, is to be amortized and paid back over a seven-year period.

In the event of default, the City's liability is limited to the amount it can collect from the businesses. The City also has the responsibility to enforce the security interests against the businesses in the event of default.

**(17) Agreement with Appanoose County**

The City entered into an agreement with Appanoose County to provide sewer services to a group of residents not previously served by the City. Appanoose County obtained a loan to finance the cost of construction related to this project. The total loan obtained by Appanoose County was \$116,200.

The City collects the sewer fees from the users of the service. The City then pays Appanoose County once a year at an amount equal to the lesser of sewer fees collected or principal and interest due on the loan. At June 30, 2005, the total principal balance of the loan outstanding was \$111,019. Total principal and interest paid by the City from the Sewer Utility Fund to Appanoose County for this loan in fiscal year 2005 was \$6,440. The City's liability is limited to the amount of fees collected from the users of this system.

**(18) Litigation/Contingency**

The City is the defendant in lawsuits relating to various City matters. The possibility, and amount of loss, if any, is undeterminable.

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**(19) Commitments**

As of June 30, 2005, the City has awarded contracts for approximately \$100,000 for the repair of the Cooper Building. This work was completed in fiscal year 2006.

### Required Supplementary Information

City of Centerville

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds - Primary Government

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be		Net	Budgeted		Amounts Final	Final to Net Variance
			Budgeted	to be Budgeted		Original	Final		
Receipts:									
Property tax	\$ 1,724,719	-	-	-	1,724,719	1,523,969	1,523,969	200,750	
Tax increment financing collections	391,046	-	-	-	391,046	145,480	145,480	245,566	
Other city tax	401,423	-	-	-	401,423	804,739	804,739	(403,316)	
Licenses and permits	71,047	-	-	-	71,047	70,625	71,055	(8)	
Use of money and property	40,907	25,881	-	-	66,788	26,300	28,940	37,848	
Intergovernmental	889,884	-	-	-	889,884	2,045,738	2,072,222	(1,182,338)	
Charge for service	130,839	1,148,523	463,312	-	816,050	724,730	724,730	91,320	
Special assessments	35,863	-	-	-	35,863	20,775	20,775	15,088	
Miscellaneous	194,059	62,615	56,592	-	200,082	138,077	171,204	28,878	
Total receipts	3,879,787	1,237,019	519,904	519,904	4,596,902	5,500,433	5,563,114	(966,212)	
Disbursements:									
Public safety	1,294,664	177,522	177,522	-	1,294,664	1,290,031	1,326,026	31,362	
Public works	582,726	42,551	42,551	-	582,726	780,752	778,452	195,726	
Culture and recreation	363,190	11,553	11,553	-	363,190	230,482	348,627	(14,563)	
Community and economic development	259,328	-	-	-	259,328	490,016	713,016	453,688	
General government	214,897	238,168	238,168	-	214,897	252,696	246,696	31,799	
Debt service	820,223	-	-	-	820,223	669,498	669,498	(150,725)	
Capital projects	769,504	-	-	-	769,504	1,795,000	1,795,000	1,025,496	
Business type activities	-	720,607	50,111	-	670,496	659,261	659,261	(11,235)	
Total disbursements	4,304,532	1,190,401	519,905	519,905	4,975,028	6,167,736	6,536,576	1,561,548	
Excess (deficiency) of receipts over disbursements	(424,745)	46,618	(1)	(1)	(378,126)	(667,303)	(973,462)	595,336	
Other financing sources, net	(123,049)	148,106	120,000	120,000	(94,943)	-	-	(94,943)	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(547,794)	194,724	119,999	119,999	(473,069)	(667,303)	(973,462)	500,393	
Balances beginning of year	2,621,775	621,821	(85,270)	(85,270)	3,328,866	2,411,597	2,411,597	917,269	
Balances end of year	\$ 2,073,981	816,545	34,729	34,729	2,855,797	1,744,294	1,438,135	1,417,662	

See accompanying independent auditor's report.

City of Centerville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$368,840. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the culture and recreation, debt service and business type activities functions.



Other Supplementary Information

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## Schedule 1

Revenue			Capital Projects	Permanent	
Library Memorial	Special Assessment	Friends of Oakland Cemetery	Tax Increment Financing	Cemetery Perpetual Care	Total
-	-	-	-	-	371,009
-	-	-	-	-	391,046
-	-	479	10,012	4,559	15,060
-	35,639	-	-	-	35,639
41,470	-	266	-	1,260	64,075
41,470	35,639	745	10,012	5,819	876,829
-	-	-	-	-	289,558
-	-	-	-	-	2,293
91,666	-	549	-	-	113,711
-	-	-	8,239	-	61,686
-	-	-	-	-	42,143
91,666	-	549	8,239	-	509,391
(50,196)	35,639	196	1,773	5,819	367,438
-	-	1,758	-	-	67,096
-	(20,766)	-	(120,000)	-	(302,585)
-	(20,766)	1,758	(120,000)	-	(235,489)
(50,196)	14,873	1,954	(118,227)	5,819	131,949
56,302	40,613	26,506	362,611	137,529	999,987
6,106	55,486	28,460	244,384	143,348	1,131,936
6,106	55,486	28,460	-	-	744,204
-	-	-	244,384	-	244,384
-	-	-	-	143,348	143,348
6,106	55,486	28,460	244,384	143,348	1,131,936

## City of Centerville

## Schedule 2

Schedule of Indebtedness  
All Primary Government Fund Types

Year Ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year*	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds -									
Corporate Purpose	June 1, 1998	4.40-4.80%	\$ 1,200,000	1,050,000	-	1,050,000	-	48,525	-
Capital Loan Notes	April 1, 2001	5.50%	150,000	105,000	-	15,000	90,000	5,766	-
Capital Loan Notes	April 15, 2001	4.50%	110,000	60,000	-	30,000	30,000	2,691	-
Corporate Purpose	September 1, 2001	3.40-4.70%	1,400,000	1,315,000	-	90,000	1,225,000	55,180	-
Capital Loan Notes	May 1, 2003	1.25-4.50%	1,195,000	1,050,000	-	145,000	905,000	32,145	-
Capital Loan Notes	July 1, 2003	1.20-3.20%	500,000	500,000	-	45,000	455,000	17,209	-
Capital Loan Notes	September 1, 2003	3.00-4.00%	700,000	700,000	-	115,000	585,000	21,496	-
Refunding Capital Loan Notes	April 1, 2005	3.00-3.375%	910,000	-	910,000 **	-	910,000	-	-
				\$ 4,780,000	910,000	1,490,000	4,200,000	183,012	-
Revenue Notes-									
Capital Loan Notes	November 24, 1999	5.365%	\$ 400,000	240,000	-	45,000	195,000	13,028	-
Refunding Capital Loan Notes	April 1, 2003	1.20-2.50%	615,000	420,000	-	100,000	320,000	8,655	-
				\$ 660,000	-	145,000	515,000	21,683	-
US Bank									
Vehicle and Equipment Loan	July 12, 1999	5.00%	\$ 25,531	5,618	-	5,618	-	282	-
US Bank									
Firetruck Loan	February 25, 2000	4.35%	\$ 105,358	62,216	-	62,216	-	2,917	-
Iowa Trust & Savings Bank									
Vehicle Loan	June 12, 2000	5.50%	\$ 100,000	26,988	-	26,988	-	1,598	-
US Bank									
Vehicle Loan	April 15, 2005	4.05%	\$ 53,064	-	53,064	-	53,064	-	-
Lease Purchase Agreements									
Equipment	August 20, 2003	6.50%	\$ 21,054	19,242	-	4,133	15,109	1,222	-
Equipment	May 24, 2004	13.8125%	3,713	3,629	-	1,084	2,545	435	-
				\$ 22,871	-	5,217	17,654	1,657	-

\* - Includes \$953,064 refinanced during the year.

\*\* - City received \$707 from this issue. The balance was used to pay off the old bonds and to pay the bond issue costs.

See accompanying independent auditor's report.

City of Centerville  
Bond and Note Maturities  
June 30, 2005

Schedule 3

General Obligation Bonds

Year Ending June 30,	Capital Loan Notes			Capital Loan Notes			Capital Loan Notes			Capital Loan Notes			Refunding Capital Loan Notes		
	Interest Rates	Amount	Issued April 1, 2001	Interest Rates	Amount	Issued September 1, 2001	Interest Rates	Amount	Issued May 1, 2003	Interest Rates	Amount	Issued July 1, 2003	Interest Rates	Amount	Issued April 1, 2005
2006	5.50%	\$ 15,000	4.50%	\$ 30,000	3.70%	\$ 90,000	2.00%	\$ 145,000	1.25%	\$ 45,000	3.00%	\$ 60,000	3.000%	\$ 150,000	\$ 535,000
2007	5.50%	15,000	-	-	3.80%	95,000	2.40%	170,000	1.60%	45,000	3.00%	60,000	3.000%	150,000	535,000
2008	5.50%	15,000	-	-	3.90%	100,000	2.80%	45,000	1.95%	50,000	3.00%	60,000	3.375%	155,000	425,000
2009	5.50%	15,000	-	-	4.00%	100,000	3.10%	45,000	2.20%	50,000	3.10%	65,000	3.375%	155,000	430,000
2010	5.50%	15,000	-	-	4.10%	105,000	3.35%	45,000	2.50%	50,000	3.125%	65,000	3.375%	150,000	430,000
2011	5.50%	15,000	-	-	4.20%	110,000	3.60%	50,000	2.80%	50,000	3.50%	65,000	3.250%	150,000	440,000
2012	-	-	-	-	4.30%	115,000	3.75%	50,000	2.95%	55,000	3.70%	70,000	-	-	290,000
2013	-	-	-	-	4.40%	120,000	3.90%	55,000	3.05%	55,000	3.80%	70,000	-	-	300,000
2014	-	-	-	-	4.50%	125,000	4.00%	55,000	3.20%	55,000	4.00%	70,000	-	-	305,000
2015	-	-	-	-	4.60%	130,000	4.10%	60,000	-	-	-	-	-	-	185,000
2016	-	-	-	-	4.70%	135,000	4.25%	60,000	-	-	-	-	-	-	195,000
2017	-	-	-	-	-	-	4.40%	65,000	-	-	-	-	-	-	65,000
2018	-	-	-	-	-	-	4.50%	65,000	-	-	-	-	-	-	65,000
		\$ 90,000		\$ 30,000		\$ 1,225,000		\$ 905,000		\$ 455,000		\$ 585,000		\$ 910,000	\$ 4,200,000

Revenue Notes				
Refunding Capital Loan Notes				
Year Ending June 30,	Interest Rates	Amount	Issued April 1, 2003	Total
2006	5.365%	\$ 45,000	1.90%	\$ 105,000
2007	5.365%	50,000	2.20%	105,000
2008	5.365%	50,000	2.50%	110,000
2009	5.365%	50,000	-	50,000
		\$ 195,000		\$ 320,000
				\$ 515,000

See accompanying independent auditor's report.

## City of Centerville

## Schedule 4

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For The Last Three Years

	2005	2004	2003
Receipts:			
Property tax	\$ 1,724,719	1,603,776	1,683,007
Tax increment financing collections	391,046	274,364	290,210
Other city tax	401,423	443,487	-
Licenses and permits	71,047	22,613	18,727
Use of money and property	40,907	27,520	36,951
Intergovernmental	889,884	700,127	1,039,512
Charges for service	130,839	199,013	194,348
Special assessments	35,863	44,222	48,777
Miscellaneous	194,059	292,803	268,235
Total	<u>\$ 3,879,787</u>	<u>3,607,925</u>	<u>3,579,767</u>
Disbursements:			
Operating:			
Public safety	\$ 1,294,664	1,682,274	1,378,363
Public works	582,726	581,046	923,440
Culture and recreation	363,190	305,340	323,633
Community and economic development	259,328	37,797	206,258
General government	214,897	213,895	302,050
Debt service	820,223	652,947	849,128
Capital projects	769,504	98,068	1,096,109
Non-program	-	49,923	25
Total	<u>\$ 4,304,532</u>	<u>3,621,290</u>	<u>5,079,006</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IA 50265

(515) 277-3077

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 4, 2005. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Centerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Centerville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-B-05 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Centerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Centerville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP  
Certified Public Accountants

November 4, 2005

City of Centerville

Schedule of Findings

Year Ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- I-A-05 Accounting Records – The classification of receipts is not always consistent. Some transactions were not recorded on the accounting system. The City's chart of accounts does not consistently agree with the guidelines established by the City Finance Committee.

Recommendation – The City record all transactions on its accounting system. Also, procedures should be implemented to ensure all receipts are consistently classified on the accounting system. In addition, the City's chart of accounts should agree with the guidelines established by the City Finance Committee.

Response – We will implement these recommendations.

Conclusion - Response accepted.

- I-B-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.



City of Centerville

Schedule of Findings

Year Ended June 30, 2005

**Part II: Other Findings Related to Statutory Reporting:**

II-A-05      Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05      Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Culture and Recreation, Debt Service and Business Type Activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. The beginning balances on a budget amendment did not agree to the ending balances of the prior budget amendment. The final fiscal year 2005 budget amendment was approved in June 2005. Chapter 384.18 of the Code of Iowa requires that the budget amendment be approved by May 31 for that year.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, procedures should be implemented to ensure amounts on the budget amendment reconcile with the prior budget document, and future budget amendments are approved by May 31.

Response – We will implement these recommendations in the future.

Conclusion – Response accepted.

II-C-05      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05      Business Transactions - Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transactions Description	Amount
Ron Creagan, Street Commissioner	Construction	\$12,400

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transaction may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions exceed \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will review this with legal counsel.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2005

II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Some council meeting minutes and an Airport Commission meeting, including a list of claims allowed was not published as required by Chapter 372.13 (6) of the Code of Iowa. For other council meeting minutes, the City could not locate a typed or published copy of the minutes.

Recommendation - The City implement procedures to ensure compliance with the Code of Iowa in regards to the publications of minutes and claims. Also, all Airport Commissions minutes and list of claims allowed should be published.

Response – We will implement these recommendations.

Conclusion - Response accepted.

II-H-05 Deposits and Investments - The City Library owned stock. This is not a permissible investment in accordance with the Code of Iowa. However, during the fiscal year all of the stock was sold. The City's investment policy refers to an outdated section of the Code of Iowa. The Debt Service Fund does not receive bank interest.

Recommendation - The City's investment policy which currently refers to Chapter 452 of the Code of Iowa, should be amended to refer to the current chapters of 12B and 12C of the Code of Iowa, which cover governmental investment guidelines. Also, the City should implement procedures to ensure the Debt Service Fund receives bank interest as required by Chapter 12 of the Code of Iowa.

Response – We will amend our investment policy, and will allocate some bank interest to the Debt Service Fund.

Conclusion – Response accepted.

II-I-05 Revenue Bonds – The City has complied with revenue bond and note resolutions.

II-J-05 Financial Condition – At June 30, 2005, the City had deficit balances in the following accounts:

<u>Fund</u>	<u>Amount</u>
General Revenue	\$ 84,335

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The City will eliminate the deficit as soon as possible.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2005

- II-K-05      Compliance Issues – We noted one instance in which the City failed to file an IRS 1099-Misc. Form. The amounts submitted to the State of Iowa on the street report were inaccurate.
- Recommendation – The City implement procedures to ensure all IRS 1099-Misc. Forms are filed in the future. The City should also ensure the amounts recorded on the street report agree to the City's records.
- Response – We will issue IRS 1099-Misc. Forms as required. Also, a revised street report was submitted in November 2005.
- Conclusion – Response accepted.
- II-L-05      Payroll - City employees have vacation and compensatory time balances in excess of the maximums allowed by the union agreement and the City personnel policies. Some I9's were either incomplete as were missing. An employee was not listed on the salary resolution. Written support for employee payroll deductions could not always be located.
- Recommendation - The City consult with legal counsel in relation to how to resolve the vacation and compensatory time issue. Also, procedures should be implemented to ensure I9's are on file for all employees, all individuals are listed on the salary resolution, and written support exists for all employee payroll deductions.
- Response - We do have a resolution in place which addresses the vacation and compensatory time issue. We will also implement the above recommendations.
- Conclusion - Response accepted.
- II-M-05      Bank Loan – During the fiscal year, the City refinanced a loan with a local bank. Chapters 384.24, 384.25, and 362.3 of the Code of Iowa documents the guidelines that must be followed prior to borrowing funds on behalf on the City. These Code sections state that a notice of proposed action for the issuance of debt be published between four and twenty days prior to the public hearing. Our review noted that for this loan, the notice of proposed action was not published and a public hearing was not held.
- Recommendation – The City should consult with the Attorney regarding these issues. The City should also implement procedures to ensure the procurement of future debt on behalf of the City is in compliance with the requirements of the Code of Iowa.
- Response – In the future, we will implement this recommendation.
- Conclusion – Response accepted.
- II-N-05      Receipts – Based on our analysis, it appears Appanoose County owes the City for dispatch services. In addition, it does not appear that the City is receiving all monies due to them from property owners for voluntary assessments, Municipal Housing payments in lieu of taxes, and property owners for yard maintenance. In addition, there does not appear to be any procedures in place to ensure the City receives all reinsurance monies in relation to the self-funded insurance plan.
- Recommendation - The City should periodically review its operations and revenue sources to ensure all monies due to them are received.

City of Centerville  
Schedule of Findings  
Year Ended June 30, 2005

Response - We will attempt to implement this recommendation.

Conclusion - Response accepted.

II-O-05      Disbursements – Not all invoices are cancelled after payment. Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.

Recommendation – All invoices should be cancelled after payment. All payments of general obligation bonds should be paid from the Debt Service Fund.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-P-05      Construction Project – The City completed a waste water construction project in November, 2003. As of November, 2005, the City still owed retainage to the contractor and has not yet applied for the sales tax refund from the State of Iowa.

Recommendation – The City resolve the above issues.

Response – We will attempt to resolve the above.

Conclusion – Response accepted.

II-Q-05      City Finances – On June 30, 2005, the City was earning .4% bank interest on approximately 2 million dollars. The City's general ledger does not reconcile to the claim forms submitted to the State of Iowa in relation to a block grant. A total of \$4,484 is due from the Permanent Fund – Cemetery Perpetual Care to the General Fund. The City Council did not approve of some interfund transfers.

Recommendation – The City invest in higher interest earning investments. The City should also reconcile its general ledger to the claim forms submitted to the State of Iowa for the block grant program. In addition, \$4,484 should be transferred from the Permanent Fund – Cemetery Perpetual Care to the General Fund. Also, the City Council should approve all of the interfund transfers.

Response – We have since invested our excess funds into a sweep account, which is now generating more bank interest. In addition, we will implement the rest of these recommendations.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2005

II-R-05

Library – The Library’s accounting records do not reconcile from year to year. The bank and books do not reconcile, and some library transactions were not recorded on the accounting system. Library collections are not reconciled to deposits. We noted an invoice which was not approved by the Library Board. The Library did not follow the requirements for holding a closed meeting, as required by Chapter 21 of the Code of Iowa.

A change order on the construction project was not signed by the Library. Also, the Library may be overpaying the architect on the construction project.

Instances were noted where payroll withholdings were not correctly computed. There is no written documentation for employee pay rates, and some employees do not keep timesheets.

Recommendation – The Library ensure the books and bank reconcile with each other on a monthly basis, and procedures should be implemented to ensure collections are reconciled with deposits. Also, all invoices should be approved by the Library board. The Library should follow the requirements of Chapter 21 of the Code of Iowa in relation to closed meetings. All change orders should be signed by the Library, and procedures should be implemented to ensure the architect is paid the correct amount. In addition, procedures should be implemented to ensure payroll withholdings are correctly computed, written authorization is maintained documenting employee pay rates, and that all employees keep timesheets.

Response – We will implement the above to the best of our ability.

Conclusion – Response accepted.

II-S-05

Authorized Signatory – The bank records show a former City Clerk as an authorized signatory on a bank account.

Recommendation – The City remove the former City Clerk as an authorized signatory on the bank account.

Response – This was an oversight on our part. This will be corrected.

Conclusion – Response accepted.